

Message Text

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ACTION L-03

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8297

INFO USMISSION EC BRUSSELS

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION NATO BRUSSELS

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STATE FOR L/SFP--MR. FIELDS & EUR/EX--MR. BASKEY

E.O. 11652: N/A

TAGS: AFSP, PDIP, PORG, EEC

SUBJECT: VAT EXEMPTIONS GRANTED AMEMBASSY LONDON BY HMG

REFS: (A) LONDON 14719 (B) FIELDS/SEYSTER TELCON OF 11/15

1. FURTHER TO MATERIAL PRESENTED REFTTEL A, AND IN RESPONSE TO REQUEST MADE REFCON, THE FOLLOWING SUMMARIZES VAT RELIEF GRANTED BY THE HOST GOVERNMENT TO US DIPLOMATIC, CONSULAR AND ADMINISTRATIVE STAFFS IN BRITAIN:

A. UNDER THE FINANCE ACT OF 1972, VALUE ADDED TAX WAS LEVIED UPON ALL PURCHASES EXCEPT GASOLINE, FUEL OIL, CARS, LIQUOR AND TOBACCO PRODUCTS PURCHASED INCOUNTRY AFTER APRIL 1, 1973. THE EXCISE DUTIES LEVIED ON OTHER CLASSES OF ARTICLES AND COMMODITIES PRODUCED OR MANUFACTURED IN THE UK ARE GIVEN AS "INDIRECT TAXES" OF A KIND

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NORMALLY INCORPORATED IN THE PRICE OF GOODS OR SERVICES

AND THUS EXCEPTED FROM THE EXEMPTION FROM TAXATION
PRESCRIBED IN ARTICLE 34(A) OF THE VIENNA CONVENTION.

B. ALL ARTICLES IMPORTED INTO THE UK FOR THE OFFICIAL
USE OF THE MISSIONS (EMBASSY AND CONSULATES) OR FOR THE
PERSONAL USE OF ACCREDITED STAFF MEMBERS OF THEIR
FAMILIES ARE ALSO EXEMPTED FROM VAT.

C. HMG MAKES NO DISTINCTION BETWEEN US DIPLOMATIC
AGENTS, CONSULAR OFFICERS, AND "ADMINISTRATIVE AND
TECHNICAL STAFF" MEMBERS OF DIPLOMATIC MISSIONS IN
BRITAIN, GRANTING ALL SUCH PERSONNEL VAT RELIEF AS
DESCRIBED ABOVE.

D. HEADS OF MISSIONS (ONLY) MAY ADDITIONALLY CLAIM
REFUND OF VAT ON "SUBSTANTIAL" PURCHASES OF HIGH-QUALITY
BRITISH FURNITURE AND FURNISHINGS DESTINED FOR THE EQUIP
MENT OF CHANCERY RECEPTION ROOMS OF THEIR RESIDENCES.

E. DURING INFORMAL DISCUSSIONS, OFFICER OF PRIVILE-
GES AND IMMUNITIES SECTION OF FCO TOLD EMBOFF THAT HE
FEELS FCO WOULD BE RECEPTIVE TO FURTHER EXTENDING
EXEMPTIONS FOR DIPLOMATIC AGENTS ET AL IF AND WHEN THE
EC HARMONIZES VAT STATUS FOR ALL MEMBER STATES. HE
OPINED (UNOFFICIALLY, OF COURSE) THAT COMPLETE RELIEF
FROM VAT FOR DIPLOMATS WAS REASONABLE, AND THAT THE EEC
COULD SO RULE BY ADMINISTRATIVE FIAT.

2. THE LETTER DESCRIBED IN PARAGRAPH 5, REFTEL A, IS
STILL UNDER CONSIDERATION BY HM CUSTOMS & EXCISE, AND
THIS MAY BODE WELL FOR UK-BASED DIPLOMATS IN TERMS OF
EXTENSION OF VAT RELIEF TO SOME DEGREE TO PURCHASES
INVOLVING HOUSEHOLD GOODS, OFFICE MACHINERY, ELECTRONIC
EQUIPMENT, ETC. IN EXCESS OF A CERTAIN AMOUNT (GIVEN
AS 100 POUNDS STERLING IN THE LETTER). THE LETTER
ALSO REQUESTS RELIEF FROM "BENEFICIAL TAXES" (LOCAL
MUNICIPAL SERVICES I.E., SEWERAGE, REFUSE REMOVAL, FIRE-
FIGHTING SERVICES, HIGHWAYS AND STREETS, PARKS AND
PUBLIC HEALTH, ETC.) WHICH WE ARE NOW SUBJECT TO ON
PROPERTIES WE OCCUPY. UNDER CURRENT US/UK AGREEMENT,
THE EMBASSY PAYS ONLY 15 PER CENT OF THE GROSS RATE AS
"BENEFICIAL" IN THE WESTMINSTER RATING AREA, AND 20 PER
CENT IN ALL OTHER RATING AREAS.

3. WE ARE POUCHING DEPARTMENT (L/SFP) A COPY OF THE
LETTER MENTIONED PARAGRAPH 2 THIS DATE.
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ARMSTRONG

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